

THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP3) ACTION PLAN SUBSTANTIAL AMENDMENT

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Introduction

The Housing and Urban Development's (HUD's) *Neighborhood Stabilization Program (NSP3)* is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Financial Reform Act of 2010), Notice 75 FR 64322 of October 19, 2010, and represents a third round of funding to provide targeted emergency assistance to stabilize neighborhoods whose viability has been, and continues to be, damaged by the economic effects of properties that have been foreclosed upon and abandoned. \$1 billion was announced to stabilize neighborhoods hard hit by foreclosure across the nation.

Minnesota Housing is the grantee for the State of Minnesota NSP3 funds in the amount of \$5 million under this authority. The focus of this program is the purchase, rehabilitation, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless provided differently by the Act, grants must comply with Community Development Block Grant (CDBG) requirements. The plan describes Minnesota Housing's NSP3 goals for the program, high need targeting criteria, distribution plan, assignment decisions, application requirements, eligible uses and activities, and performance evaluation for NSP funds.

To date, there have been two other rounds of NSP funding. Under the first round (NSP1 authorized under the Housing and Economic Recovery Act of 2008 (HERA)), Minnesota Housing was named a grantee and awarded \$38.8 million.

Minnesota Housing will sub grant NSP3 funds to eligible local units of government with experience administering CDBG funds who have demonstrated capacity and success in the management of Minnesota Housing's NSP1 funds granted in their jurisdictions in March of 2009. Subrecipients are expected to be knowledgeable about and adhere to the laws and regulations governing the CDBG program as well as the Neighborhood Stabilization Program. Subrecipients must commit and expend funding in accordance with NSP3 funding guidelines and the targeting requirements described in the Action Plan.

Timelines and Non-competitive Assignment Process

The \$5 million in NSP3 funds administered by Minnesota Housing was awarded in February 2011. The NSP3 Program Concept and preliminary assignment recommendations were approved by Minnesota Housing's Board at its December 2010 meeting, after a comprehensive analysis by Agency staff. The Action Plan is informed by subsequent input from each subrecipient local government preliminarily assigned NSP3 funds, including preliminary program descriptions which were due January 4, 2011 and final program descriptions delivered shortly thereafter. Each subrecipient's program description included information on final target areas proposed, corresponding strategies for achieving stabilization, and their implementation method including administrative funds needed. Other factors examined were leverage and/or area assets, public and or private investments, made or anticipated, consistency with NSP3 priorities, and capacity/degree of readiness. The draft NSP3 Action Plan was posted for public comment on January 14, 2011 with a 15 day public comment period that ended on January 30, 2011.

The final Action Plan and awards for these NSP3 funds was presented for approval at Minnesota Housing's February 2011 Board meeting. The final Action Plan was delivered to HUD by March 1, 2011, and posted to Minnesota Housing's web site at www.mnhousing.gov.

Minnesota Housing intends to monitor subrecipients' progress on obligations and expenditures over the term of their contracts. Awarded funds may be recaptured if a subrecipient is not making sufficient progress. Reallocations of funding may occur during the award period to the best performing subrecipients if awarded funds are recaptured. Fifty percent of grant funds must be expended 24 months into the program and 100% must be expended at 36 months.

The projected timeline for NSP3 can be viewed on Minnesota Housing's [website](#).

August 2012 Substantial Amendment to State of Minnesota NSP3 Action Plan

City of Minneapolis: The Substantial amendment reallocates \$266,114.47 (remaining Big Lake funds) to the City of Minneapolis for the redevelopment of four properties, two as rehabilitations and two as new construction. Additional administrative funds are reallocated from the state's balance to maintain the six percent ratio originally designated in their grant. Included also is the expansion of their target area to improve their selection options. The target area also known as the Hawthorne neighborhood, one of the hardest foreclosure-impacted areas, is characterized as a dense metro area with high concentration of foreclosures and multiple demolitions. This reallocation increases the city's NSP3 unit count from 12 to 16 (four rentals and 12 homeownership units), which will continue the stabilization work already in progress in this neighborhood. The estimated number of properties needed to make an impact is 13, already met with layered investments from NSP1, NSP2, CDBG, HOME, Met Council and other local sources. The City will contract these funds through their developer Project for Pride in Living (PPL). It is anticipated that at least two of the homes will be completed prior to the March 2013 expenditure deadline.

Hennepin County: An expansion of Hennepin County's Brooklyn Park target area for the purpose of facilitating the selection of foreclosed homes is part of this revision. The expansion will assist the stabilization work already underway in the expanded area. It further increases the selection of foreclosed homes that may be assisted. Hennepin's stabilization plan has been focused south of 85th Avenue North. The expanded area increases the block groups from two to 32 block groups and extends approximately 3 ½ miles east and south of their current target area providing a high concentration of residential properties. The impact score for the revised target area is 132. Although the impact score increases to 132, The number of foreclosed units assisted in this area is 166. This total already exceeds HUD's required impact score of 132. The layered assistance comes from the City's EDA program, their NSP1, NSP2, NSP3, CDBG and other MN Housing funds. Hennepin's NSP3 investment of 11 units will continue to provide stabilization to the area given the vacancy rate of 3-4% and their current rate of loans 90 days delinquent.

City of St. Paul: An expansion of St. Paul's NSP3 target area is included as a revision. The purpose is to increase St. Paul's pool of foreclosed homes and jumpstart their NSP3 program. This proposal includes a change in strategy and a slightly larger target area (high need score at 20) that overlaps their current NSP HUD Direct funds and creates the needed opportunities for St. Paul to successfully expend their funds within the NSP deadlines. Under the new plan, St. Paul's unit count increased from nine to 13. It also decreases the city's low income concentration from 42% to 34%. The target area expands several blocks to the north and east. The impact score increases from 13 to 16. Current layered investments have already met this score. The expansion makes it more feasible for St. Paul to meet their contractual obligations under NSP3. It provides the city a distinct advantage by making available NSP3 projects already under HRA ownership. It further leverages investments in the area, such as other local, State and Federal funding sources (NSP1, 2, 3, ISP and CDBG). It increases the number of foreclosed/vacant properties, making it feasible for St. Paul to meet their 50% expenditure requirement. It provides the city a distinct advantage, making available NSP3 projects already under HRA ownership, and it offers an expanded opportunity for vicinity hiring.

City of Big Lake: By means of this Substantial Amendment the last remaining funds from Big Lake's plan in the amount of \$266,114.47 are being de-obligated from their budget. This amount includes administration funds remaining in the amount of \$2,345.67. The initial \$500,000 was reallocated in March of 2012. See Minneapolis' reallocation for more information.

Timeline/Public comment period

Staff will submit the NSP3 Action Plan Substantial Amendment for HUD's approval following Minnesota Housing's Board approval of the Substantial Amendment at its August 2012 Board meeting. The Substantial Amendment will be posted for a 15 day public comment period, from August 1st 2012 to the end of business August 16th 2012.

Reposting will include any public comments received. The Agency anticipates HUD's approval of the Substantial Amendment within two to three weeks of receipt.

March 2012 Substantial Amendment to State of Minnesota NSP3 Action Plan

After reviewing its progress using NSP3 funds, the City of Big Lake on January 11, 2012 relinquished \$766,114.47 of NSP3 funds to Minnesota Housing for reallocation to other subrecipients. Through this Substantial Amendment, Minnesota Housing will reallocate \$500,000 of the returned NSP3 funds to Hennepin County. The \$266,114.47 balance will be de-obligated from Big Lake and reallocated to subrecipients at a later date.

Reallocation evaluation process:

The proposed reallocation to Hennepin County is based principally upon the current level of need in each NSP3 target area and subrecipients' readiness to commit additional funds. Minnesota Housing considered subrecipients' current commitment and expenditure levels under NSP3 and NSP1, any issues identified with the NSP3 target areas, their ability to reach required expenditure thresholds, their current success in meeting the required low income beneficiary count, and their percentage of funds documented as expended in Minnesota Housing's system.

Hennepin County is the only NSP3 subrecipient that has committed all its funds. The County has requested additional resources for a time-sensitive multi-family rental preservation project in Brooklyn Center. To accommodate Hennepin County's timeline and because other subrecipients are not currently ready to proceed with additional projects, Minnesota Housing will reallocate \$500,000 of the Big Lake funds to Hennepin County and will consider reallocating the remaining funds to NSP3 subrecipients in the coming weeks.

Hennepin County – Shingle Creek Reallocation Recommendation:

Reallocating \$500,000 of the Big Lake funds to Hennepin County will support preservation of the Shingle Creek Apartments (AKA View point at Shingle Creek), Shingle Creek Tower, 6221 Shingle Creek Parkway, Brooklyn Center., Minnesota Housing staff will present its recommendation at its March 2012 Board meeting. In making this reallocation, Minnesota Housing considered Hennepin County's capacity and degree of readiness to proceed, strategies for stabilization, key area assets, and consistency with NSP3 priorities, through an evaluation of Minnesota Housing's internal data, the Housing and Urban Development (HUD) data, and Hennepin County's narrative, to assess program feasibility, including impact, low income households, rental preference, marketing, and vicinity hiring.

Timeline/Public comment period

Staff will submit the NSP3 Action Plan Substantial Amendment for HUD's approval following Minnesota Housing's Board approval of the Substantial Amendment at its March 2012 Board meeting. The Substantial Amendment will be posted for a 15 day public comment period, from March 6th, 2012 to the end of business March 21, 2012.

Reposting will include any public comments received. Staff will provide a revised memo to its Board, including public comments not received prior to the distribution of its preliminary Board memo. The Agency anticipates HUD's approval of the Substantial Amendment within two to three weeks of receipt. This should allow sufficient time for Hennepin County's contract execution with the developer in April and County Board approval of their contract on May 1, 2012.

A. AREAS OF GREATEST NEED

Overview

Under NSP3 HUD has provided Minnesota Housing \$5,000,000 for allocation across the state. Outlined below is the methodology that Minnesota Housing used to identify areas of greatest need and to assign initial funding distributions around the state.

To stabilize a neighborhood, HUD recommends that grantees select target areas small enough so that at least 20 percent of the foreclosures in the target area receive NSP 3 assistance. HUD has estimated, by block group, the number of REO properties and foreclosure starts between July 2009 through June 2010, and the number of properties that need assistance to have a stabilizing impact. Given that Minnesota Housing only received \$5 million of funding, Minnesota Housing first identified seven local communities that met the agency's selection criteria and then worked with the potential awardees to identify very narrow target areas, encompassing one to five block groups.

Target Area Selection Criteria

Minnesota Housing used five criteria to select areas for potential funding. To be targeted for funding, census tracts had to meet each of the following criteria:

Primary Requirements

- **Previous recipient of NSP-1 funds** (City or County).
- **Significant foreclosure impact.**
 - HUD provides a foreclosure need score for each census tract in the state and considers a score of 17 and above to be a high need area. Each census tract is ranked on a scale of 1 to 20, with 20 being the highest. All target areas have a foreclosure score of 17 or higher.
 - In addition to considering the HUD score, Minnesota Housing narrowed the foreclosure impact areas to those that either have a high foreclosure score based on internal analysis of LPS Applied Analytics foreclosure data (one of the country's primary sources of loan performance data) OR areas that were previously targeted areas in NSP1.

Local Market Priorities

- **Access to transit OR Access to jobs.** Census tracts within close proximity to jobs or transit were selected.
- **Moderate to high rates of rental.** HUD noted a preference towards rental housing in NSP3. Census tracts with rental rates at the 25th percentile or above for their region, were targeted. The regions for analysis include: the core cities of Minneapolis and Saint Paul, suburban seven county metro, and Greater Minnesota. 13 rental units are anticipated in our plan to contribute to the stabilization of neighborhoods.
- **Marketability.** To assess the general market conditions of an area, month's supply of home sale inventory was evaluated. Zip codes with less than four months supply represent an active market while four to ten months of inventory indicates a moderate to slow market. A market with more than ten months of inventory is very slow. This information was used to assist in program design and further target area refinement.

In addition to the criteria described above, Minnesota Housing eliminated from consideration communities which had NSP1 funds deobligated or where the identified target areas had less than 100 foreclosures.

Conclusion

Minnesota Housing analyzed five criteria for selecting target areas: previous recipient of NSP1 funds, significant foreclosure impact, access to transit or access to jobs, areas of high to moderate levels of rental housing, and marketability. In the target selection areas meeting these criteria, an estimated 1,142 properties would require assistance to have a stabilizing impact. To reduce the properties needing assistance to more closely match the available funding, Minnesota Housing further narrowed the target areas by considering grantee capacity and the level of need (the number of foreclosures in the potential target area). The resulting set of potential grant awardees included four entitlement communities: Anoka County, Hennepin County, City of Minneapolis, and City of Saint Paul. In non-entitlement communities, the potential awardees included, in the metro, Dakota County and Ramsey County, and in Greater Minnesota, the City of Big Lake. Six local units of government are identified as the final awardees in the program. Anoka County withdrew from consideration because it concluded that the administrative funds to be received were insufficient to cover its projected expenditures.

Further details on the targeting methodology and a list of block groups being targeted are available on Minnesota Housing's [website](#).

- [NSP3 List of Block Groups](#)
- [March 2012 NSP3 Revised List of Block Groups](#)
- [August 2012 NSP3 Revised List of Block Groups](#)

B. DISTRIBUTION AND USES OF FUNDS – STATE NSP GOALS AND IMPACT

Minnesota Housing has three goals for the NSP funding:

- To maximize the revitalization and stabilization impact on neighborhoods;
- To preserve affordable housing opportunities in the targeted neighborhoods;
- To complement and coordinate with other federal, state and local investment in the targeted neighborhoods.

Subrecipient goals at the neighborhood/block-group level were evaluated to be consistent with Minnesota Housing's goals for the program.

In order to respond to rising foreclosures and falling home values, Minnesota Housing's goals have a primary focus on neighborhood stabilization with tight target areas. Subrecipients are expected to have measurable impact, mitigating housing decline and market collapse.

To stabilize a neighborhood, subrecipients selected target areas small enough so that at least 20 percent of the foreclosures in the target area could receive assistance. Subrecipients with access to non-NSP3 sources for interim funding were able to project the number of properties to be assisted based on the assumption that each property will receive an average of \$50,000 in subsidy. Subrecipients relying solely on NSP3 funds needed to base their projections on an average total development cost. Due to limited funding, subrecipients were required to narrow their targeting to a few blocks. Target areas are characterized by moderate to low demand, a market insufficient to correct itself yet not collapsed (see "Marketability" in Section A).

Eligible Recipients of NSP3 Funding

Previous NSP1 recipients that demonstrated capacity and success in the management of their grant were identified as eligible for assignment of NSP3 funds. As with NSP1, this limited eligibility to cities or counties experienced in administering CDBG funding. Furthermore, only local units of government operating in the high need target areas, subjected to the targeting criteria developed by Minnesota Housing, which includes areas identified under HUD's mapping tool as high need demonstrating a Need Index Score of 17-20, were eligible for assignment. An index

score of 17-20 is considered high need under HUD's methodology criteria. Information on Minnesota Housing's NSP3 Evaluation Criteria for Targeting Areas may be reviewed in Section A of this Action Plan.

Minnesota Housing assigned NSP3 funds to the following six local governments in an aggregate amount of \$4,500,000 for the purpose of acquiring, rehabbing, and reselling 91 units of housing, 48 for homeownership purposes and 43 for rental. An additional \$250,000 is recommended to cover awardee administrative expenditures under the program. The Agency will retain \$250,000 for its own administrative expenditures. See chart below for further detail.

NSP3 Awardees

| Awardee | Geographic Area | Activity | Total Funds, plus admin | Unit Count |
|-------------------|-------------------|---|---|---------------------|
| Big Lake | Greater Minnesota | Acquisition/rehabilitation, demolition, redevelopment | \$ 322,000 \$55,855.53 | 1 |
| St. Paul | Metro | Acquisition/rehabilitation | \$ 744,640 | 9 13 |
| Minneapolis | Metro | Redevelopment | \$ 765,804 \$1,046,918.47 | 12 16 |
| Ramsey | Suburban Metro | Acquisition/rehabilitation | \$ 609,372 | 12 |
| Dakota | Suburban Metro | Acquisition/rehabilitation, financing mechanism | \$ 638,242 | 4 |
| Hennepin | Suburban Metro | Redevelopment | \$ 1,669,942 | 53 |
| Grand Total Funds | | | \$4,750,000 \$4,765,000 | 91 99 |

Subrecipients are encouraged to work with experienced housing developers and property management companies and other local units of government in meeting the stabilization needs of their identified target areas.

Eligible Uses and Activities

Eligible NSP3 Activities are for housing purposes -homeownership and/or rental. Transitional housing is not eligible. Except for certain limitations, all eligible uses identified in the Dodd-Frank Act will be available to the subrecipients:

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop.
- Establish and operate land banks for homes and residential properties that have been foreclosed upon.
- Demolish blighted structures- limited to 10 percent of total grant funds.
- Redevelop demolished or vacant properties as housing.
- Administration costs- limited to 10 percent of total grant funds.

Restrictions on Redevelopment of Commercial Properties

NSP3 funding through Minnesota Housing may only be used for redevelopment of commercial properties if the properties' new use will be as residential structures serving households at or below 120% AMI or a public facility. Minnesota Housing's NSP funds may not be used to pay for the installation of non-housing facilities.

Restrictions on Demolition

NSP3 funding through Minnesota Housing may only be used for demolition of blighted residential structures if the structures will be replaced with housing. Redevelopment activities using NSP3 funds must be for housing. Demolition must be part of a plan for redevelopment of the targeted neighborhoods. No more than 10% of funds may be used for demolition. Subrecipients should re-use cleared sites in accordance with a comprehensive or neighborhood plan. All demolition sites should be planned for re-use within the term of a subrecipient's NSP grant as replacement housing, for use as a community resource, or to provide an environmental function. Examples include community gardens, pocket parks, or floodplain impoundment areas.

Program Design and Requirements

Program Design

The Agency will implement a subrecipient model. The projected count of units to be treated in each target area meets a 20% impact threshold recommended by HUD. To maximize the unit count, with such limited funds, awardees will self-finance or seek private financing for construction development and Minnesota Housing will reimburse the value gap subsidy for each project. The anticipated value gap subsidy ranges between \$33,600 and \$78,572. Although resources are limited, the target area selections are much more precise and are based on current conditions in the neighborhood in order to secure stabilization. Therefore, Minnesota Housing will need to file a Substantial Amendment to its plan should conditions change.

Minnesota Housing has included only census tracts with a moderate to high level of rental housing as target areas in order to give a preference to the development of affordable rental housing. In addition, target areas were limited to areas whose market is neither too "hot" nor too "cold", but rather are moderate to slow, in order to concentrate on areas where intervention is likely to have an impact. The final target areas were examined for alignment with their corresponding stabilization plan.

In the program descriptions subrecipients demonstrated knowledge of their target areas with sufficient detail for Minnesota Housing to evaluate the extent in which the funds will stabilize and revitalize neighborhoods and generate a healthy living environment. Subrecipients had to demonstrate awareness of the problems experienced in the area or community as a result of the prolonged foreclosure crisis and abandonment of properties.

Subrecipients described existing or anticipated targeted improvements efforts to:

- Stabilize the residential structures,
- Provide housing opportunities for eligible households,
- Prevent additional foreclosures,
- Encourage commercial development,
- Improve safety,
- Improve schools,
- Develop and improve parks and recreation,
- Improve transportation and streets,
- Improve landscaping, sidewalks, and medians, and
- Engage residents in neighborhood stabilization.

Subrecipients had to describe the activities for which NSP3 funds will be used and how those activities will address the identified problems through NSP3 eligible uses, contribute to the stabilization of the targeted neighborhoods or blocks, develop new housing opportunities in the targeted neighborhoods or blocks, and/or preserve land for future redevelopment. Effectiveness of the activities to be undertaken could be demonstrated by describing past experience with the activity (either by the subrecipient or others) and the measurable outcomes.

Subrecipients were required to describe milestones expected at each six month interval, beginning at month nine, in terms of numbers of commitments entered into for acquiring, rehabilitating or demolishing properties. Subrecipients progress in meeting the projected number of properties assisted with awarded funds will be evaluated at regular intervals following the original start date of the grant. Overall program outcomes described

the final disposition of property or funds, such as the number of properties the entity intends to hold or reuse, the anticipated and desired community outcome, the use to which the redeveloped property will be put, and whether the property will be owner-occupied or rental.

Subrecipients described any additional funding anticipated as leverage and were expected to consider all funding resources, programs, and partners available to them, including those available through utility companies for energy efficiency improvements. Subrecipients were encouraged to access other resources for interim financing and thereby request minimal per property commitment of NSP funds. This implementation process maximizes the number of properties to be assisted prior to recycling program income and thereby impacts the allowable size of the target area. Subrecipients unable to secure other interim financing resources will need to use NSP to finance total development costs. Subrecipients were asked to specify the area(s) into which they will expand their activities once they have impacted 20 percent of the projected REOs and have program income they can use for additional activity. Minnesota Housing will file a Substantial Amendment to HUD, as needed, in accordance with the changing needs of subrecipient target areas.

Activities or projects proposed included a line-item budget detailing the cost of the activity(s) and the anticipated outcomes in terms of units assisted, type of housing rehabilitated or redeveloped, the affordability range, units serving households up to 120% AMI or below 50% AMI, and the proposed end use, for homeownership or for rental. If a subrecipient intends to contract with another entity to administer NSP3 awarded funds, the entity was required to be reflected in the program description. Program descriptions may be viewed in the Activities section of the draft Action Plan, see Section H and corresponding links contained in each plan.

Program Requirements

- Activities must benefit middle and low- to moderate-income homebuyers and renters with household incomes not exceeding 120 percent of area median income.
- 25 percent of total grant funds must benefit low income households with incomes at 50 percent of area medium income or below.
- Subrecipients shall acquire properties at a minimum discount of 1 percent of the appraised value.
- Subrecipients shall, to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. Vicinity is defined as each NSP3 target area. The following are suggested procedures. Additionally, see Section H to view the procedures to be incorporated by each subrecipient.
 - Outreach to workforce services, commercial associations, local churches, civic clubs, and other agencies/organizations
 - Identify business phone numbers, search zip code lists
 - Develop email distributions or mailers
 - Utilize employment agencies
 - Develop documents such as flyers, program sheets, and other general materials that provide additional information to community members
 - Citizen participation process.
- If subrecipients are unable to develop hiring or business opportunities to residents in the vicinity of the project, they must encourage employment of Section 3 residents and Section 3 businesses.
- All persons purchasing NSP3-assisted homeowner housing must receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency. In addition, subrecipients intending to use NSP funds for homeownership opportunities for low-income households (below 50% of area median) were required to describe steps to promote successful homeownership, e.g. pre and post-purchase counseling and the costs of such services, and identify the providers of such services and the source of funding for the support services.
- Subrecipients using NSP funds for demolition were required to describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property. Demolition plans should include a strategy for

assembling land for redevelopment and not simply demolition on a case-by-case basis. Subrecipients are encouraged to plan interim community uses for vacant land such as community gardens, playgrounds and parks.

- Subrecipients intending to use NSP funds for land banking were required to describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods. Land banks must operate in specific, defined geographic areas.
- Subrecipients were required to describe any continuing affordability restrictions that they may impose beyond the minimum required by Minnesota Housing.

Funding Decisions

Final funding awards were based on the extent to which a subrecipient's program description demonstrated that:

- The funding request is part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, address public safety, school performance, job creation and other economic development need;
- It is feasible to use the requested funding within the required timeframe;
- The subrecipient is maximizing opportunities to leverage other resources, both private and public; and
- The identified outcomes are achievable.

Time is of the essence, 50% and 100% of grant funds must be expended 24 months and 36 months respectively after HUD signs Minnesota Housing's Grant Agreement. Interim evaluations of awardees' performance in the obligation of funds will be conducted. Should insufficient progress be noted in the expenditure of funds, Minnesota Housing may re-allocate resources to best performing subrecipients or offer direct assistance in order to meet the expenditure timeline. Should Minnesota Housing offer direct assistance, it may undertake any activity included in this Action Plan.

Reporting Requirements/ Evaluation

Subrecipients will be required to submit actual outcome numbers as compared to projected numbers as stated in their agreement with Minnesota Housing. Minnesota Housing will undertake an evaluation of the uses and outcomes achieved with NSP3 funding.

Success in the use of NSP3 funds is viewed not merely in the numbers of houses bought, demolished or rehabilitated, but in the extent to which neighborhoods have been restored or stabilized, meeting the criteria of a functioning market. Subrecipients will be required to submit information necessary to evaluate the success of the program.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law.

Minnesota will allocate its funds to subrecipients in several local government jurisdictions. Though the State of Minnesota does not have a definition of "blighted structure," Minnesota Housing has modified the State's definition of "blighted area" to apply to structures. The State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," follows:

Blighted structure: Blighted structure is one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.

Subrecipients may use either the local jurisdiction's definition of "blighted structure" or Minnesota Housing's definition. Listed below is the definition they will use:

- 1) Ramsey will use Minnesota Housing's definition

- 2) St. Paul will use their definition: A structure is blighted when it exhibits signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare, or has serious structural deficiencies and the cost to rehabilitate to property standards will exceed 50% of the appraised value after rehabilitation. "Blighted Structure" is not defined in local codes, but this definition is consistent with the definition of a "dangerous structure" found in local code.
- 3) Hennepin will use Minnesota Housing's definition
- 4) Dakota will use Minnesota Housing's definition
- 5) Big Lake will use Minnesota Housing's definition
- 6) Minneapolis will use their definition– Blighted structure is defined by the City of Minneapolis code or Ordinances Chapter 249 standards for nuisance.

249.30 – "Nuisance condition defined; waiver of waiting period. (a) A building within the city shall be deemed a nuisance condition if:

- 1) It is vacant and unoccupied for the purpose for which it was erected and for which purpose a certificate of occupancy may have been issued, and the building has remained substantially in such condition for a period of at least six (6) months; or
- 2) The building is unfit for occupancy as it fails to meet the minimum standards set out by city ordinances before a certificate of code compliance could be granted, or is unfit for human habitation because it fails to meet the minimum standards set out in the Minneapolis housing maintenance code, or the doors, windows and other openings into the building are boarded up or otherwise secured by a means other than the conventional methods used in the original construction and design of the building, and the building has remained substantially in such condition for a period of at least sixty (60) days; or
- (3) Evidence, including but not limited to neighborhood impact statements, clearly demonstrates that the values of neighborhood properties have diminished as a result of deterioration of the subject building; or
- (4) Evidence, including but not limited to rehab assessments completed by CPED, clearly demonstrates that the cost of rehabilitation is not justified when compared to the after rehabilitation resale value of the building.

(b) When it is determined by the director of inspections or the city fire marshal that a building constitutes an immediate hazard to the public health and safety, and after approval by the city council, the sixty-day waiting period set out in this section may be waived and the other procedures, as set out in this chapter, may be implemented immediately.

(c) Notwithstanding the foregoing provisions, accessory buildings such as garages, barns and other similar structures, not intended to be used for human habitation, shall be deemed to constitute a nuisance condition when such buildings are in violation of section 244.1560 of the housing maintenance code which regulates non-dwelling structures or when such accessory buildings are structurally unsound in the opinion of the director of inspections. (76-Or-102, § 1, 7-9-76; 77-Or-226, § 2, 11-10-77; 78-Or-233, § 2, 11-9-78; 79-Or-016, § 1, 1-26-79; 80-Or-181, § 1, 8-8-80; 84-Or-095, § 1, 6-15-84; 86-Or-236, § 1, 10-10-86; 91-Or-157, § 1, 8-9-91; 92-Or-110, § 2, 9-11-92; 93-Or-142, § 1, 10-1-93; 94-Or-123, § 2, 9-16-94; 2006-Or-059, § 1, 5-26-06)

(2) Definition of "affordable rents."

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. Rents are the cost of occupancy and utilities. If rent includes the cost of utilities then the owner may charge the maximum rent. If the tenant pays the utilities, the owner may only charge rent that does not exceed the maximum minus the amount of the "utility allowance."

This definition is consistent with the continued affordability requirements of the same section that Minnesota will adopt for the NSP program.

(3) Continued affordability for NSP assisted housing.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record. Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each subrecipient will design its own recapture or resale provisions, which will be applied uniformly within their program. NSP may fund rehabilitation of units that are being purchased by individuals, or are being rehabilitated by a legal entity that will sell the property to a homebuyer. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP statute and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Forms implementing continued affordability must be reviewed by Minnesota Housing before being implemented.

(4) Housing rehabilitation standards that will apply to NSP assisted activities:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: (Results of all assessment activities shall be disclosed to the purchaser prior to sale.)

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
- Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the minimum housing quality standards (HQS) of 24 CFR 982.401.

Where local housing standards exist, subrecipients must identify the standards that will apply to their projects and provide a copy to Minnesota Housing. As projects are rehabilitated, the subrecipients must document how each project meets the local standard, or HQS if there is no local standard, for Minnesota Housing's monitoring review.

Subrecipients must identify in their program descriptions whether they will permit individuals purchasing homes for their own occupancy to conduct or contract for rehabilitation, the date by which such homebuyer rehabilitation must be completed, how the subrecipient will monitor progress of the rehabilitation, and the remedies the subrecipient will take if rehabilitation is not completed by the deadline.

Required Rehabilitation Activities: In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

- Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the assessment. Any moldy materials that cannot be properly cleaned must be removed.
- Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- Installation of GFCI receptacle protection in locations as required for new construction.
- Installation of carbon monoxide detection equipment in accordance with the 2006 state legislation.
- Application of relevant Green Communities Criteria with the Minnesota Overlay to any building component that is modified or altered during a financed activity; including selecting Energy Star qualified products.
- Water efficient toilets, showers, and faucets, such as those with the Water Sense label, must be installed.

- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, and fires).

Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances.

Gut Rehabilitation and New Construction: All gut rehabilitation (i.e. general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls) or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.

Multifamily Housing: Gut rehabilitation or new construction of mid or high rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).

Demolition: If a site will not be redeveloped within three months after demolition, the subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets clearance levels, or covering the soil with sod or some other barrier to prevent the disbursement of lead dust.

Minnesota Housing does not expect any demolitions of low income units. Therefore a conversion from a low income unit to a middle income unit is not anticipated. Subrecipients preferred the redevelopment activity because of the flexibility it provides.

D. LOW INCOME TARGETING – INCOME RESTRICTIONS

At least \$1,250,000 of the grant funds administered by Minnesota Housing and 25% of program income will be used to house individuals and families with incomes not exceeding 50% of AMI.

Activities funded with NSP funds must benefit households with incomes at or below 120% of area median income (low, moderate and middle income households). For activities that do not benefit individual households, the activity must benefit areas in which at least 51% of the residents have incomes at or below 120% of area median income.

Each subrecipient must use at least 26.4% of its funding award to house individuals and families with incomes at or below 50% of area median income.

E. ACQUISITIONS AND RELOCATIONS

Minnesota Housing will award its NSP3 funds to subrecipients. \$500,000 of the NSP funds granted to Minnesota Housing will be allocated to administration and planning.

At least \$4.5 million of the funds granted to Minnesota Housing will be used for projects. Based on an expected average per unit cost to NSP3 of approximately \$61,000, Minnesota Housing anticipates 91 units will be assisted with the original allocation, and a few more units with the use of program income. Of those units, it is estimated that 16-25 units will be available for households at or below 50% of AMI. This estimate assumes that \$4.5 million will be used for value and affordability gap assistance. If funds are used for other purposes, such as loans or land banking, the number of units will be lower.

Demolition or conversion of low-, moderate- and middle-income dwelling units may be deemed an important part of neighborhood stabilization by subrecipients. Only one subrecipient has indicated their intent to demolish units, but others may determine that it is necessary if a blighted structure is beyond repair.

When acquiring property, the subrecipient must ensure that the owner is informed in writing of what the subrecipient believes to be the market value of the property; and that the subrecipient will not acquire the property if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)). Relocation assistance under the NSP Program must comply with the requirements of the Uniform Relocation Act of 1970, as amended and with relocation assistance requirements at 42 U.S.C. 5304(d). The subrecipient must document its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property (typically in a property acquired through foreclosure is the lender) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. Subrecipients may assume the obligations of such initial successor in interest with respect to bona fide tenants. Subrecipients who elect to assume such obligations are reminded that tenants displaced as a result of the NSP funded acquisition are entitled to the benefits outlined in 24 CFR 570.606. The use of NSP funds for acquisition of such property is subject to a determination by the subrecipient that the initial successor in interest complied with the requirements of the act.

F. PUBLIC COMMENT

Response to Public Comments State of Minnesota Substantial Amendment to its 2011 Action Plan Neighborhood Stabilization Program (NSP3)

On January 14, 2011, Minnesota Housing posted the draft Substantial Amendment and a notice of the draft's availability on its website. On January 14, 2011, Minnesota Housing emailed a notice of availability of the Substantial Amendment and public comment period and public hearing to 5,600 organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders. Official legal notices were published in the January 10, 2011 State Register and the Sunday, January 9, 2011 statewide edition of the Minneapolis Star Tribune. There were no comments received.

Response to Public Comments State of Minnesota Substantial Amendment to its March 2012 Substantial Amendment To State of Minnesota NSP3 Action Plan

March 2012 Substantial Amendment to State of Minnesota NSP3 Action Plan

The March 2012 Substantial Amendment was posted on Minnesota Housing's website for a 15 day public comment period, from March 6, 2012 to the end of business March 21, 2012. On March 6, 2011, Minnesota Housing emailed a notice of availability of the Substantial Amendment and public comment period and public hearing to 5,600 organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders. Reposting will include any public comments received. Official legal notices were published in the statewide edition of the Minneapolis Star Tribune on Tuesday, March 6, 2012.

Minnesota Housing received 1 written comment. Minnesota Housing completed its public comment period at 5:00 p.m. March 21, 2012.

The following summarizes the comment received and the response provided.

Staff received one comment from Tim Gappa who lives in Watonwan County, and expressed his surprise of having learned of the posting. Mr. Gappa started his comment by indicating that Watonwan is a federally depressed county. He further shared his perspective of the negative forces impacting growth and market values of rental projects in his county. According to Mr. Gappa, landlords in his community are walking away from rental projects

because they can move to Mankato, only 25 miles away, and charge approx \$300 dollars higher in rent with a 30% lower tax bill.

Minnesota Housing staff thanked Mr. Gappa for bringing awareness of these issues to the agency. The comment did not request modification of the Substantial Amendment and resulted in no changes to it.

[Response to Public Comments](#)

State of Minnesota Substantial Amendment to its August 2012 Substantial Amendment
To State of Minnesota NSP3 Action Plan

August 2012 Substantial Amendment to State of Minnesota NSP3 Action Plan:

The August 2012 Substantial Amendment was posted on Minnesota Housing's website for a 15 day public comment period, from August 1, 2012 to the end of business ~~August 15, 2012~~ August 16, 2012. On August 1, 2012, Minnesota Housing emailed a notice of availability of the Substantial Amendment and public comment period ~~and public hearing~~ to organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders. Reposting will include any public comments received. Official legal notices were published in the statewide edition of the Minneapolis Star Tribune on Wednesday, August 1, 2012.

G. NSP3 ELIGIBLE USES

| NSP Eligible Uses | Correlated Eligible Activities From the CDBG Entitlement Regulations |
|--|--|
| (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, and shared-equity loans for low- and moderate-income homebuyers | As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out. |
| (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties To be illustrated in DRGR as follows: <ul style="list-style-type: none"> • B1 – for purposes of homeownership • B2 – for rental purposes | 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. |
| (C) Establish and operate land banks for homes and residential properties that have been foreclosed upon | 24 CFR 570.201(a) Acquisition and (b) Disposition. |
| (D) Demolish blighted structures | 24 CFR 570.201(d) Clearance for blighted structures only. |
| (E) Redevelop demolished or vacant properties as housing To be illustrated in DRGR as follows <ul style="list-style-type: none"> • E1 – for purposes of homeownership • E2 – for rental purposes | 24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (i) Relocation, and (n) Direct homeownership assistance (as modified below). 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. 24 CFR 570.204 Community based development organizations. New construction of housing is eligible as part of the redevelopment of demolished or vacant properties. |
| (F) Administration | 24 CFR 570.206 |

National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP3 Notice—i.e., $\leq 120\%$ of area median income).

These activities meet the Dodd-Frank Act low-, moderate- and middle-income national objective by providing housing that will be occupied by households with incomes at or below 120% of area median income.

Limited Conditions: Administration and Demolition costs are each limited to 10% of grant funds. Subrecipient's allowable administrative cost is specified in their contract with Minnesota Housing.

Projected Start Date: HUD signing Minnesota Housing's agreement

Projected End Date: 2014

Responsible Organization: The responsible organizations that will implement Minnesota's State Grant are Hennepin County, City of Minneapolis, City of St. Paul, Dakota County, Ramsey County, and the City of Big Lake. Additional information regarding their programs may be found in the Program Description Section H of the Action Plan.

Minnesota Housing Finance Agency is the state's responsible organization. 400 Sibley Street, Suite 300; St. Paul, MN 55101 Agency Contact: Ruth Simmons; (651) 297-5146; ruth.simmons@state.mn.us

H. SUBRECIPIENT PROGRAM DESCRIPTIONS

AUGUST 2012 - NSP3 ACTION PLAN SUBSTANTIAL AMENDMENT

| Total State of MN Units and Households Served | | Total Funds Awarded | Total # of properties | Total # of Units | Total # of home- ownershi p units | Total # of rental units | Funds to be used for households at or below 120% AMI | Funds to be used for households at or below 50% AMI | % of funds to be used for house holds at or below 50% AMI |
|--|---|------------------------|--------------------------|------------------------|--|----------------------------------|---|---|---|
| A | A. Financing mechanisms: Foreclosed home and residential properties | | | | | | | | |
| | Down payment assistance - buyer driven | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | N/A |
| | Rehab assistance - buyer driven | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | N/A |
| B1 | B1. Acquisition rehab- Homeownership | \$1,500,586.20 | 24 | 24 | 24 | 0 | \$1,298,572.00 | \$202,014.20 | 13% |
| B2 | B2. Acquisition Rehab - Rental | \$420,000.00 | 4 | 6 | 1 | 5 | \$0.00 | \$420,000.00 | 100% |
| C | C. Land banking | | | | | | | | |
| D | D. Demolition - Blighted properties | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | #DIV/0 ! |
| E1 | E1. Redevelopment- Homeownership | \$1,877,428.80 | 31 | 31 | 31 | 0 | \$1,410,428.80 | \$467,000.00 | 25% |
| E2 | E2. Redevelopment - Rental | \$701,985.00 | 2 | 38 | 0 | 38 | \$360,654.00 | \$341,331.00 | 49% |
| | Total | \$4,500,000.00 | 61 | 99 | | | | | |
| | | | | | | | | | |
| | Sum of NSP Activities | \$4,500,000 | | | | | | | |
| | | | | | | | | | |
| | F. Administration (No More than 5.0%) | \$265,000 | 5.30% | | | | | | |
| | | | | | | | | | |
| | Total of NSP Activities | \$4,765,000 | 61 | 99 | 56 | 43 | | | |
| | | | | | | | | | |
| | Low Income Targeting - no less than 26.4% | \$1,257,960 | \$1,254,000 | | | | | \$1,430,345 | 30% |
| | Grand Sum of Grant | \$4,765,000 | | | | | | | |

MARCH 2012—NSP3 ACTION PLAN SUBSTANTIAL AMENDMENT

| Total State of MN Units and Households Served | | Total Funds Awarded | Total # of properties | Total # of Units | Total # of home- ownership units | Total # of rental units | Funds to be used for households at or below 120% AMI | Funds to be used for households at or below 50% AMI | % of funds to be used for households at or below 50% AMI |
|--|---|------------------------|--------------------------|---------------------|---|----------------------------|--|---|--|
| A | A. Financing mechanisms: Foreclosed home and residential properties | | | | | | | | |
| | Down payment assistance - buyer driven | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | N/A |
| | Rehab assistance - buyer driven | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | N/A |
| B1 | B1. Acquisition rehab- Homeownership | \$1,700,070.00 | 21 | 21 | 21 | 0 | \$1,431,526.00 | \$268,544.00 | 16% |
| B2 | B2. Acquisition Rehab - Rental | \$484,285.00 | 3 | 5 | 0 | 5 | \$0.00 | \$484,285.00 | 100% |
| C | C. Land banking | | | | | | | | |
| D | D. Demolition - Blighted properties | \$0.00 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | #DIV/0! |
| E1 | E1. Redevelopment- Homeownership | \$1,568,000.00 | 27 | 27 | 27 | 0 | \$1,259,000.00 | \$309,000.00 | 20% |
| E2 | E2. Redevelopment - Rental | \$747,645.00 | 3 | 38 | 0 | 38 | \$360,654.00 | \$386,991.00 | 52% |
| Total | | \$4,500,000.00 | 54 | 91 | | | | | |
| Sum of NSP Activities | | \$4,500,000 | | | | | | | |
| F. Administration (No More than 5.0%) | | \$250,000 | 5.00% | | | | | | |
| Total of NSP Activities | | \$4,750,000 | 54 | 91 | 48 | 43 | | | |
| Low Income Targeting - no less than 26.4% | | \$1,254,000 | \$1,254,000 | | | | | \$1,448,820 | 31% |
| Grand Sum of Grant | | \$4,750,000 | | | | | | | 25.1% |

The Action Plan described above does not include the ~~\$235,000~~ ~~250,000~~ ^[s1] which Minnesota Housing will use in administration costs, representing ~~five percent (4.75%)~~ ^[s2] of the total grant amount.

All subrecipients may need to modify their activities based upon the dynamics of the target area throughout the duration of their program. Should the subrecipient need to modify the activities in their plan midstream to improve impact, Minnesota Housing will conduct an internal evaluation and determine/approve additional Eligible Uses A, B, C, D, or E accordingly.

As noted in Section B, subrecipients were asked to specify whether they can access interim financing and thereby request minimal per property commitment of NSP funds or whether they will need to use NSP to finance total development costs. Access to interim financing influenced the number of properties to be assisted prior to recycling program income and thereby impacted the allowable size of the target area. A Substantial Amendment to HUD will be submitted as needed to accommodate target area changing needs and/or revolving program income.

Although Minnesota Housing's NSP3 grant will be used to cover the subsidy/value gap, subrecipients will be required to draw their funds during the acquisition period of the transaction and not at the end of the transaction. The draw amount to be requested will equal the acquisition price or the pro-forma anticipated value gap,

whichever is less. After closing, the subrecipient must determine if the amount drawn was ultimately equal to, higher, or lower than the final gap left in the unit. If it is higher, then the surplus will be revolved into another NSP activity as program income. If the draw was less than the value gap incurred, then another draw will be authorized to cover the shortage. All subrecipients will be required to follow this process except for Dakota County who was not able to access interim financing. At the end of each transaction, the subrecipient will need to make sure if a direct benefit to the homebuyer will occur to be able to use a resale program, by confirming that the purchase price is below the fair market value of the property.

The Financing Mechanisms activity is intended to be used for revolving program income in subrecipients' target areas. However, Minnesota Housing will remain flexible should the need arise to use this activity with original funds allocated.

Census tracts with rental rates at the 25th percentile or above were targeted to ensure Minnesota Housing incorporated rental preferences in the plan.

Minnesota Housing is will use up to 4.75% of the total grant funds towards administration costs. The individual subrecipient budgets below include the remaining portion of the total 10% in administration funds available under the grant. This is identified as Eligible Use F in the final Action Plan.

The table below summarizes the activity proposed by Minnesota Housing's subrecipients. Detailed program descriptions follow.

| | NSP Need Score Avg | Total Estimated Units to achieve impact (based on target areas) | Proposed Unit Count |
|---------------------|-------------------------------------|---|---------------------|
| City of Big Lake | <u>N/A deobligated</u> <u>17</u> | <u>N/A deobligated</u> <u>15</u> | 1 |
| City of Minneapolis | 20 | <u>138</u> | <u>161</u> <u>2</u> |
| City of Saint Paul | 20 | <u>166</u> | <u>139</u> |
| Dakota County | 18 | 3 | 4 |
| Hennepin County | <u>19.29</u> <u>20</u> | <u>145</u> <u>21</u> | 53 |
| Ramsey County | 17 | 8 | 12 |
| All Areas | 18.96 | 185 61 | 991 * |

revised: 2/2011-
8/2012

*Subrecipients are leveraging their plan with other investments made in their target areas, primarily from their NSP1, NSP2, and NSP3 HUD Direct funds received to date and including CDBG, and other public and private resources. These investments are described in their individual plan which allows each subrecipient to achieve the needed impact score for their target area.

The planning data reports received from HUD after drawing the target areas did not include maps. But, the areas are consistent with the maps incorporated in the action plan

| The City of Big Lake | | |
|------------------------------------|---|---|
| Subrecipient Name | The City of Big Lake | |
| Uses | Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input checked="" type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | The City utilized development partners who <u>had</u> participated in NSP1 activities. The city used other funds to acquire and rehabilitate properties, relying on NSP funds for an average subsidy of \$50,000 per unit. The City <u>rehabilitated and</u> sold one home to <u>a low income household/homeowners earning at</u> 50% AMI and below. Due to capacity issues, the City of Big Lake has decided to relinquish their NSP3 funds remaining. Reallocation of will occur in a two step process. Initial reduction of \$500,000 was completed in March 2012 and the remaining \$266,111.47 was completed in August of 2012. <u>has been reallocated to Hennepin County with additional adjustments to follow.</u> | |
| Location Description | The City has chosen <u>chose</u> a target area which has moderate demand with higher supply of eligible properties. See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (including administration) – after de-obligation | \$322,000 <u>55,885.53</u> |
| | Other funding source – subrecipient will seek their own financing for the acquisition and rehabilitation of units. | \$ |
| | The City will leverage other resources from FHLB in the amount of \$150,000 to increase impact in the target area. No specific dollars are committed at this time. | \$ |
| Total Budget for Activity | | \$322,000 <u>55,885.53</u> |
| Performance Measures | According to HUD reports, the average NSP needs score is <u>was</u> 17 and the total estimated units to achieve impact is <u>was</u> 15 for the target area (20% of foreclosure). <u>Since funds were de-obligated these numbers are no longer applicable.</u> The City acquired and rehabilitated <u>one</u> 4 single family home. Due to capacity issues, Big Lake decided to relinquish their NSP3 funds remaining. Funds will be <u>were</u> redistributed in a two step process with \$500,000 being de-obligated immediately and the remainder to follow <u>de-obligated five months later.</u> | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | The City of Big Lake |
| | Location | 160 Lake Street North Big Lake, MN 55309 |
| | Administrator Contact Info | Jim Thares 763.263.2107 jimt@ci.big-lake.mn.us |

[Big Lake target area](#)

[Big Lake expanded program description \(revised\)](#)

[Big Lake planning data](#)

[Big Lake Budget](#)

[Big Lake Revised Budget #1](#)

[Big Lake Revised Budget #2](#)

| City of Minneapolis | | |
|------------------------------------|---|--|
| Subrecipient Name | City of Minneapolis | |
| Uses | Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | The August 2012 Substantial Amendment increased the City's grant. The City will utilize developer partners who have participated in NSP1 and NSP2 activities. NSP3 funds will be used to redevelop and resell units to homeowners at 120% AMI and below. The program design calls for developers to acquire and rehab homes with an average subsidy of \$60,000 per unit. The City also plans for developers to redevelop rentals for households at 50% AMI or below. | |
| Location Description | The City has chosen the Hawthorne Eco-Village area, which has moderate demand with higher supply of eligible properties. The August 2012 Substantial Amendment expands their target area to improve their selection options. The Hawthorne neighborhood, continues to be one of the hardest foreclosure-impacted areas, characterized as a dense metro area with high concentration of foreclosures and multiple demolition. See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (including administration) – August 2012 | \$1,046,918.47 765,804 |
| | Other funding source - developers will seek their own financing for acquisition and rehabilitation of units. For interim financing purposes Minneapolis has \$1,000,000 from the Twin Cities Community Land Bank, \$200,000 from the Hennepin County AHIF, and \$200,000 from the City of Minneapolis AHTF. | \$ |
| | Minneapolis will leverage other resources to increase impact in the target area, such as the Minneapolis Advantage program in the amount \$50,000 to be used for down payment assistance. | \$ |
| Total Budget for Activity | | \$765,804 1,046,918.47 |
| Performance Measures | According to HUD reports, the average NSP needs score is 20 and the total estimated units to achieve impact is eight 13 for the target area (20% of foreclosure). The City of Minneapolis will redevelop twelve eight single family homes and two one rental duplex quadruplexes making the total unit count 162 – This unit count together with other layered investments support the new impact score. See program description link. link below for expanded program description. | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | The City of Minneapolis Dept. of CPED |
| | Location | 105 Fifth Avenue South, Suite 200 Minneapolis, MN 55401-2534 |
| | Administrator Contact Info | Cherie Shoquist 612.673.5078 cherie.shoquist@ci.minneapolis.mn.us |

[Minneapolis target area](#) [Minneapolis revised target area](#)
[Minneapolis expanded program description \(revised\)](#)
[Minneapolis planning data](#) [Minneapolis revised planning data](#)
[Minneapolis Budget](#) [Minneapolis revised budget](#)

City of St. Paul

| | | |
|------------------------------------|--|---|
| Subrecipient Name | City of St. Paul | |
| Uses | Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | <p><u>The August 2012 Substantial Amendment includes a change in strategy and a slightly larger target area.</u> The City will utilize developer partners who have participated in NSP1, and NSP2, <u>and NSP3</u> activities. NSP3 funds will be used to acquire, rehabilitate, and resell <u>or rent</u> units to homeowners <u>households at with incomes below</u> 120% AMI. The program design calls for the City to acquire and demolish while the developer partner will redevelop and resell. The An average subsidy of \$50,000<u>78,751</u> will remain in each project. The City also plans for developers to redevelop rental duplexes for households at 50% AMI or below. The City will target layering the gap funds under this program with the City's other NSP HUD Direct funds.</p> | |
| Location Description | The City has chosen the Payne-Maryland-Arcade area which has moderate demand with higher supply of eligible properties. <u>The August 2012 Substantial Amendment expands the City's target area and overlaps the NSP3 HUD Direct target area to increase the pool of foreclosed homes.</u> See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (including administration) | \$744,640 |
| | Other funding source - will seek their own financing for acquisition and rehabilitation of units | \$ |
| | St. Paul will leverage other NSP3 direct resources in the amount of \$2,059,877. To increase impact in the target area, NSP1 and NSP2 were also used with the target area. | \$ |
| Total Budget for Activity | | \$744,640 |
| Performance Measures | According to HUD reports, the average NSP needs score is 20 and the total estimated units to achieve impact is 16six for the target area (20% of foreclosure). The City of St. Paul will rehabilitate eight five single family homes, and two rental duplexes <u>and one single family rental</u> making the total unit count thirteen nine . <u>This unit count plus other layered investments support the new impact score.</u> See link below for expanded program description. | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | The City of St. Paul Dept. of PED |
| | Location | 25 West Fourth Street, Suite 1100 Saint Paul, MN 55102 |
| | Administrator Contact Info | Joe Musolf 651.266.6594 joe.musolf@ci.stpaul.mn.us |

[St. Paul target area](#)

[St. Paul revised target area](#)

[St. Paul expanded program description](#) (revised)

[St. Paul planning data](#)

[St. Paul revised planning data](#)

[St. Paul Budget](#)

[St. Paul revised budget](#)

| Dakota County | | |
|------------------------------------|--|--|
| Subrecipient Name | Dakota County | |
| Uses | Select all that apply: <input checked="" type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | The County will directly administer NSP3 and procure contractor services. NSP3 funds will be used to acquire, rehabilitate and resell units to homeowners at 120% AMI and below. Their program design calls for the County to acquire and rehab homes with an average TDC of \$200,000. The County also plans to rehabilitate a rental property for households at 50% AMI or below. Program income is anticipated to be revolved in the target area. The subrecipient will mix a down payment assistance program with program income to complement its acquisition rehab activities. | |
| Location Description | The County has chosen West St. Paul as its primary area for its initial allocation. Additional block groups of West and South St. Paul are being considered for the future application of program income. A Substantial Amendment to include these additional block groups will be filed with HUD should the need arise. Both areas have moderate demand with higher supply of eligible properties. See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (including administration) | \$638,242 |
| | The County will leverage other resources to increase impact in the target area. No specific dollars are committed at this time, but HOME funds are anticipated in the amount of \$50,000. | \$ |
| | Other funding source | \$ |
| Total Budget for Activity | | \$638,242 |
| Performance Measures | According to HUD reports, the average NSP needs score is 18 and the total estimated units to achieve impact is three for the target area (20% of foreclosure). The County will rehabilitate three single family homes and one rental property making the total unit count four. See link below for expanded program description. | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | Dakota County CDA |
| | Location | 1228 Town Centre Drive Eagan, MN 55123 |
| | Administrator Contact Info | Dan Rogness 651-675-4464 drogness@dakotacda.state.mn.us |

[Dakota County target area](#)

[Dakota County expanded program description](#)

[Dakota County planning data](#)

[Dakota County Budget](#)

| Hennepin County | | |
|------------------------------------|--|---|
| Subrecipient Name | Hennepin County | |
| Uses | Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input checked="" type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | <p><u>The August 2012 Substantial Amendment includes the expansion of the Brooklyn Park target area for the purpose of facilitating the selection of foreclosed homes.</u> The County will utilize local subrecipients and developer partners who have participated in NSP1 and NSP2 activities. NSP3 funds will be used to redevelop and resell units to homeowners at 120% AMI and below. The program design calls for developers to acquire and rehab homes with an average subsidy of \$50,000 per project. Due to reallocation of NSP3 funds, Hennepin County will receive \$500,000 in additional funds. a- As previously noted in the <u>March 2012 Substantial Amendment</u>, Tthe County has a rental preference in the plan <u>with the development of and will develop</u> the <u>Shingle Creek</u> multifamily property previously proposed.</p> | |
| Location Description | The County has chosen Brooklyn Park and Brooklyn Center areas which have moderate demand with higher supply of eligible properties. <u>The March 2012 Substantial amendment added the Shingle Creek project in Brooklyn Center and the August 2012 amendment expands the Brooklyn Park target area.</u> See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (including administration) | \$1,669,942 |
| | Other funding source –subrecipient will seek their own financing for acquisition and rehabilitation of units | \$ |
| | Funding will also leverage work completed under NSP1 & NSP2 Direct, and city investments. | \$ |
| Total Budget for Activity | | \$1,669,942 |
| Performance Measures | According to HUD reports, the average NSP needs score is <u>19.2920</u> and the total estimated units to achieve impact is <u>14524</u> for the target area (20% of foreclosure). The County will redevelop 19 single family homes and 34 multifamily rental units. <u>This unit count plus other layered investments support the new impact score.</u> -See below for the expanded program description. | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | Hennepin County |
| | Location | 417 North 5th Street, Suite 320 Minneapolis, MN 55401 |
| | Administrator Contact Info | Kevin Dockry 612.348.2270 kevin.dockry@co.hennepin.mn.us |

[Hennepin County Target Area](#)

[Hennepin County Revised Target Area #2- Brooklyn Park](#)

[Hennepin County Overall Revised Target Area](#)

[Hennepin County Expanded Program Description](#) (revision #2ed)

[Hennepin County Planning Data](#) [Hennepin County Planning Data](#)

[Hennepin County Planning Data \(Target Area Expansion\)](#)

[Hennepin County Planning Data \(Expansion #1 – Brooklyn Center\)](#)

[Hennepin County Planning Data \(Expansion #2 – Brooklyn Park\)](#)

[Hennepin County Budget](#)

[Hennepin County Revised Budget](#)

| Ramsey County | | |
|------------------------------------|--|--|
| Subrecipient Name | Ramsey County | |
| Uses | Select all that apply: <input type="checkbox"/> Eligible Use A: Financing Mechanisms <input checked="" type="checkbox"/> Eligible Use B: Acquisition and Rehabilitation <input type="checkbox"/> Eligible Use C: Land Banking <input type="checkbox"/> Eligible Use D: Demolition <input type="checkbox"/> Eligible Use E: Redevelopment | |
| CDBG Activity or Activities | See Section G in the Action Plan. | |
| National Objective | Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25) | |
| Activity Description | The County will utilize developer partners who have participated in NSP1 activities. NSP3 funds will be used to acquire, rehabilitate, and resell units to homeowners at 120% AMI and below. The program design calls for developers to acquire and rehab homes with an average subsidy of \$-33,600 - \$50,000 per project. | |
| Location Description | The County has chosen the West Maplewood area between Arcade and White Bear (north of Larpenteur) which has moderate demand with higher supply of eligible properties. See the link below for a target area map. | |
| Budget | Source of Funding | Dollar Amount |
| | NSP3 (includes administration) | \$609,372 |
| | Other funding source – developer will seek their own financing for acquisition and rehabilitation of units | \$ |
| | Ramsey will leverage other resources from HOME funds in the amounts of \$200,000 for foreclosure remediation, \$75,000 for acquisition/rehabilitation, and \$180,000 for buyer assistance to increase impact in the target area. | \$ |
| Total Budget for Activity | | \$609,372 |
| Performance Measures | According to HUD reports the average NSP needs score is 17 and the total estimated units to achieve impact is eight for the target area (20% of foreclosure). Ramsey County will rehabilitate twelve single family homes. Should subsidy be less for each property, Ramsey will be able to impact additional properties. Therefore it projects a range between 12-14 properties. See below link for expanded property description. | |
| Projected Start Date | 5/1/2011 | |
| Projected End Date | 5/1/2014 | |
| Responsible Organization | Name | Ramsey County HRA |
| | Location | 250 Courthouse 15 West Kellogg Boulevard St. Paul, MN 55102 |
| | Administrator Contact Info | Denise Beigbeder 651.266.8005 denise.beigbeder@co.ramsey.mn.us |

[Ramsey County target area](#)

[Ramsey County expanded program description](#)

[Ramsey County planning data](#)

[Ramsey County Budget](#)